

TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman
Lynn Greer, Director
Melvin Malone, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

April 17, 2002

Mrs. Billye Sanders
Waller, Lansden, Dortch, & Davis
511 Union Street, Suite 2100
P.O. Box 198966
Nashville, TN 37319-8966

Re: Petition of Chattanooga Gas Company for Approval of Tariff Modifying PGA Rider
Our Docket 02-00383

Dear Mrs. Sanders:

In order to properly consider the Petition of Chattanooga Gas Company for Approval of Tariff Modifying PGA Rider (the Petition), our Docket 02-00383, we need the following information. Consider this as Data Request #1.

1. How is this petition different from the one presented last year, our Docket 01-00761? Please explain each major difference.
2. According to the testimony of Mr. Larry Buie, the Company has considered only Sequent Energy's proposal in this current petition. In light of last year's request by Dynegy to submit a bid, and Chattanooga's subsequent withdrawal of their petition, would you withdraw the petition this year if the TRA ordered the Company to allow other bidders?
3. Again according to Mr. Buie's testimony, the Company will not allow their customers to choose whether they are on the variable-rate plan or fixed-rate plan. Yet, there are several companies who do allow choice. According to Mr. Buie's testimony, the difficulty in programming the computer to calculate the different plans that could be chosen by your customers has caused Chattanooga Gas to limit their customers to the fixed-rate PGA plan only. Does the Company believe the vast majority of their eligible customers would choose the fixed rate plan (no volatility of price but not likely the lowest cost) to the variable-fixed rate plan (probably lower cost but little control over volatility)?
4. What is the national average of the percentage of customers who sign up for fixed-rate PGA plans? How many other company's plans have Chattanooga Gas studied, and was their percentage of choice for fixed rate PGA plans overwhelmingly high?
5. According to Ms. Wright, her focus groups were in favor of the fixed-rate PGA. She also states how the focus groups were educated in the fixed-rate vs. variable-rate

billing process. She goes on to state that her focus groups were not necessarily representative of the Company's customer body as a whole. She also stated that her studies were not necessarily statistically valid. Please elaborate on why you have chosen her studies to validate this portion of your petition.

6. Statistically speaking, is there another way to correctly project the high acceptance percentage of Chattanooga's customer base?
7. Mr. Buie's testimony also states that an extensive customer education campaign will be necessary. What will this campaign consist of? Has this plan been used by other utilities in educating customers in their similar fixed-rate PGA programs?
8. Last year, the Company defended the 12 cents/Ccf as being necessary for a risk premium. Mr. Novak, in his testimony, was pleased to tell us that they have reduced the risk premium by fifty percent. Please explain how you were able to do that. What risks have declined or disappeared from last year?
9. The Company chose to use the authorized rate of return of 9.08% and applying it to all other costs in the fixed-rate PGA to determine the risk premium. Explain your basis for correlating your risk premium with your rate of return.

Please respond by May 30, 2002.

Sincerely,



David Waddell,
Executive Secretary

DMM:blp

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